



# The Perch Pod Episode 55

## Civil Unrest in Peru

### With Elohim Monard

**Jacob Shapiro:**

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**Jacob Shapiro:**

Hello listeners, and welcome to another special episode of the Perch Pod. As usual, I'm your host. I'm Jacob Shapiro. I'm the founder and chief strategist of Perch Perspectives and the director of geopolitical analysis at Cognitive Investments. Joining me on this special podcast is Elohim Monard. He is the cofounder of Civicclass. He's also a faculty member at the University of Lima in Peru. Elohim is an expert in Peru and in Latin America in general, and we're going to be having him on the podcast also with some of his analyst friends to talk more about Latin America since that's a big theme for us.

**Jacob Shapiro:**

But we wanted to get him on immediately to talk about what's going on in Peru this week. What started with some relatively small protests about rising food and fuel prices have spread around the country. The Peruvian military has deployed to parts of the country to try and instill order. President Pedro Castillo briefly declared a curfew in Lima. So, there's been a lot going on, and I was really appreciative of Elohim for coming on and talking to us. We recorded Wednesday, April 6th, and we will get this up as soon as we can since some of this is all developing in real-time.

**Jacob Shapiro:**

Otherwise, cheers. Thanks so much. Remember to stay tuned. We've got some exciting updates coming for you and a lot more podcast content on the way. In the meantime, cheers, take care. We will see you out there.

**Jacob Shapiro:**

Elohim, this is our second time trying. We had some technical difficulties to get started with, but I started by asking you whether you know what your name means in Hebrew, and you do as well, apparently.



**Elohim Monard:**

I do, but I'm Jewish, but this is an interesting story with my family. I can tell you later.

**Jacob Shapiro:**

Sounds good. Look, we wanted to have you on. We're recording on April 6th. We're going to have this podcast out sooner than we do with most podcasts because there's a lot going on in Peru right now. For our listeners who aren't following Peru closely, tell us a little bit about what's been going on in Peru, and especially in Lima, where you're recording from in the last couple days.

**Elohim Monard:**

There's a lot of demonstrations that are happening all across the country from about one week ago. However, Lima, the capital city, had a very huge demonstration yesterday, actually requesting the president to resign. So, it is a very political situation in political terms. And I think this is not going to stop very soon.

**Jacob Shapiro:**

Well, yeah. And so, I read that President Castillo had deployed the military in some instances to try and restore order. And there was a 24-hour curfew or something, I believe, in Lima. So, has that been relaxed at all? Has that had any effect, or have things just been getting worse as a result of that escalation?

**Elohim Monard:**

So, I will tell you the story, so you have all the context. One week ago, the farmers and the transport workers came out to demonstrations, especially in cities out of Lima. And one of them was Huancayo, which is in the center of the country. And it's actually the region where the president's political party came from. It's very symbolic.

**Elohim Monard:**

And in this place, demonstrations became very violent. And at the end of the day, they had some negotiation with the whole government, and some agreements came about. However, disagreements brought expectations from other groups from different parts of the country. So, the next day, violent demonstrations started in different parts of the country again, and in Lima, there were some, we can say, attempts, but it didn't happen.

**Elohim Monard:**

There were a lot of fake news about violent demonstrations wherever, but in Lima, it didn't happen yet. So, the President decided two days ago, almost at midnight, to set a curfew in Lima and Callao, which is a single territory, Lima and Callao, the port. Okay, this has different interpretations. First, this is very symbolic because, on April 5th, it was the 30 anniversary of the Fujimori coup. So, it recalled a lot of ideas of how operation and how authoritarianism can't improve.



**Elohim Monard:**

Secondly, it was completely unconstitutional because the excuse was a kind of intelligence information that people were going to robber all markets across the city. But it was a rumor, actually. And how do you close the entire country, not a country, the capital city, based on rumors? And thirdly, there is a context of a weak presidency, a weak management, a weak administration, public administration, with accusations of corruption and mismanagement.

**Elohim Monard:**

So, in this context, you have that global markets' inflation are not in the best moment. Oil and food have the highest prices in 20 years in Peru. Demonstrations have started because of that, but without a timely response from the government. So, what was the outcome of this curfew? And that's a huge question because the outcome was completely the opposite what the president expected. So, there was a massive civilian disobedience, and in Lima, which, until that moment, was not the epicenter of demonstrations, became the epicenter, but not with an agenda of negotiating policies, but an agenda of asking the president to resign.

**Jacob Shapiro:**

Is it fair to say that in Lima, President Castillo has never been particularly popular?

**Elohim Monard:**

Never ever. And if you want to come back to some issues, Peruvian structural issues is that you have some cleavages or inequalities or gaps that are part of our life, Lima versus the other cities or regions, or the capital city versus the provinces, we can say. Then you have urban versus rural. Then you have a European-like or European look of people and more indigenous-like people. And all these cleavages, all these gaps arose during the elections when president Castillo confronted Keiko Fujimori, the daughter of Alberto Fujimori. And Castillo won, not because he was the best. He won because most people didn't want Keiko Fujimori to become president.

**Elohim Monard:**

But he got to be in the second round of the elections because many people really felt that after the pandemic, they needed someone who unless represented them in terms of, again, the rural professor from unions who, for the very first time, this figure comes to power. And that's what happened. However, Castillo is completely ... I'm looking for a word that is not that hard. He doesn't know what to do with the power he has, but when-

**Jacob Shapiro:**

Well, he seems overwhelmed. I would agree with that, but I wonder if is the issue that Castillo is enacting bad policies or is doing bad things, or is he not quite as powerful as we would expect? Because his party seems to be very, very weak in Congress. And to your point, he has all of these factions in Peru who oppose him. So, it's probably both. But tell me what parts of Castillo's presidency do you think are



him being overwhelmed or not on having good policies, and how much of it is just he doesn't really have that much power to do anything? And so, when you have these rising food prices and things like that, he just seems to be looking, searching for anything that possibly works even though none of it actually is working.

**Elohim Monard:**

He had the opportunity to start with good policies and to really manage. He had a strong opposition. He has the ... How do you say when it's not the majority, but it's the ...

**Jacob Shapiro:**

Minority.

**Elohim Monard:**

The left ... It's the highest minority, right? How do you say it?

**Jacob Shapiro:**

Plurality maybe is what you're looking for.

**Elohim Monard:**

No, you have a lot of small groups and ... Okay, I'll tell you again. Okay. What happened is that Castillo does not have the dominance of the Congress. However, he has the largest number of Congress people. And he has room for negotiating things. The problem is that Castillo has started with no idea of what policies to implement in a context of the COVID afterwards and an economic crisis already happening. Then, you have that many of the ministers that he recruited had no the profile.

**Elohim Monard:**

And many of them have some prosecutions with them, some of them in corruption. And the main partners in many ways are, what we call in Peru, the informal economy, which is a euphemism for illegality, sometimes the illegal economy. For example, illegal transportation, for example, illegal mining. And with the excuse of formalization, they can do whatever they want.

**Elohim Monard:**

So, they are their partner. They're the government's partner. But he had to pretend to do something because he had some support, especially in the south of the country, important support, rural areas, what he calls the people. Yes, there were many poor people who are supporting him, who were supporting, but not anymore because their own failures are now showing that he's not only weak but he's incapable to do something. He doesn't have an idea. It's very sad to say, but it's not only that he's overwhelmed. He doesn't know what to do. He's paralyzed.

**Elohim Monard:**



And because of that, policies are paralyzed. And because of that, when you have this inflation coming all across the world, he doesn't know what to do. And the people that he recruited doesn't know what to do. And this is the reason why we are exploding as a country.

**Jacob Shapiro:**

I want to continue talking about Castillo, but before I do, I just want to ask you, as somebody who is like me, is a policy nerd ... Because a lot of countries right now are facing inflation, especially when it comes to food, especially when it comes to energy. Peru's a fairly significant importer of both of those things. I was looking, just a significant amount of corn they've been importing as well. Those prices are going up. And the USDA just reported pretty disappointing numbers on acres planted in the United States.

**Jacob Shapiro:**

What do you wish Castillo had done when those prices were going up? What policies do you think that he should have implemented that he didn't? Do you have a sense, or do you think that it was really just kind of a difficult situation, and it was that feeling that he didn't know what was going on and what was going on that led to people lacking confidence in him?

**Elohim Monard:**

The prices were coming up from oil prices, let's say. They were going up from a couple of months ago, and we all knew that it was going to come, and it was going to be very high. Do you agree with me?

**Jacob Shapiro:**

Yeah, for sure.

**Elohim Monard:**

So, you have to start planning some subsidies, some target support in terms of gas, for example. We cook with gas in our houses, so the price was doubling in the last months before the inflation. And so, you can imagine how hard it is for people to get to cook right now. So, he didn't show any plan. So, he reacted after five days of demonstrations that he ignored at the first time, and then he said that there were people who were paid from the opposition to be there in the streets.

**Elohim Monard:**

Okay. What he did? He did an exception of taxes for oil. And you can discuss because it's a target. It's everywhere. It's okay. That is something that he had to do at least, but he had to announce at least one month before, in my opinion, because it was going to come anyway.

**Jacob Shapiro:**

Well, and the other part of this, right, is that there was that volcanic explosion in Tonga in January, which caused a tsunami, which caused some kind of oil spill in Peru. I'm remembering now in January. And then, one of Peru's oil refineries went offline. And that also seemed to be a whole massive



corruption that the government didn't have a very good challenge on. So, even in the context of rising oil prices, it seems like Peru was uniquely vulnerable to rising oil prices, to your point. So, he probably should have been a little better prepared from that point of view.

**Elohim Monard:**

And if you add another problem to that, we have a national public enterprise, which is Petroperú. And you had, in the last four months, a lot of accusations of corruption with the general manager and the directory, so with the board. So, all the ways bring you to the two companies who were already in the core of the problem, Petroperú and Exxon. So, it's this perfect storm. The problem is that we don't know where are we going because, if you ask me, "Okay, what's next? Okay, will we have better policies?" There is no capability. There is no.

**Elohim Monard:**

And you ask every single Peruvian in this moment if the government has capacity to react to the context, and every single Peruvian will tell you no. So, what's next, whether the president resigns or the Congress impeaches him? The Congress attempted to impeach him twice, but they couldn't. Why? Because the opposition is not smart enough to take this president out of the position. So, we have a problem of a vacuum of power because you have a government without capacity and an opposition without capacity, without political capacity, at least no policy capacity. But political capacity, there is no there. There is no capacity to have an agreement, to draft a strong case for this guy to get out of the presidency. So, what's next? I don't have an idea.

**Jacob Shapiro:**

Well, that's particularly scary. But, I mean, they just tried an impeachment vote. Was that last week, or was it two weeks ago? I mean, that was fairly recent that they failed.

**Elohim Monard:**

I think it was Monday.

**Jacob Shapiro:**

Yeah, and even with this, they still can't get it together.

**Elohim Monard:**

They were far from the votes they needed.

**Jacob Shapiro:**

Well, I have two questions there. Let's start with the first one. The first one is, so how long do you think Castillo lasts? I mean, this can't go on sort of forever, can it? Do you think eventually the opposition will get things together or people will just be so fed up, or do you think that Castillo can continue on like this for months, even?



**Elohim Monard:**

I have a very bad feeling. I think that they are not consciously, but they are waiting for a tragedy to really make decisions.

**Jacob Shapiro:**

Hmm.

**Elohim Monard:**

So, I will give you an example. When two years ago, in November 2020, we had also huge demonstrations in Peru against Merino, who was president for only one week, Manuel Merino, the occurrence that triggered his resignation was the killing of two young guys in the streets of the downtown Lima, arguably because of the police officer. So, that was a trigger. We don't have yet that kind of trigger in Peru for this resignation. However, there are five people who already passed away during these demonstrations in different ways because of an accident with a car, because a teenager fell down in a hill avoiding the battle between policemen and people.

**Elohim Monard:**

And you have one case of a guy who passed away because of a confrontation directly with the police. And he was hit in the neck. The problem is that if that guy died ... And this is very sad, what I'm going to say. If this guy died in Lima in the downtown, maybe Castillo would be expelled tomorrow, but he didn't die in Lima. He died in Huánuco, which is almost between the Andean region and the Amazon region. So, he's far from the power. He's far from Lima and lives don't ... I don't know how to say it. Lives don't have the same value depending on the territory you come from.

**Jacob Shapiro:**

Yeah, the sad irony of that is that's exactly the sort of inequality that led people to vote for Castillo and to vote for change. But apparently, he has not been able to be powerful enough to change it. Who do you think would take over from Castillo in the future? I mean, is Keiko Fujimori waiting in the wings? Is there some other figure that's here, or is one of the problems here is, as you said, that it's really just a vacuum, and nobody wants this position because of what a difficult situation it is?

**Elohim Monard:**

It isn't nobody wants the position. It is that nobody's prepared for this position. So, what's the way it should happen? Castillo leaves either because he resigns or because the Congress impeaches him. Whatever is the case, Dina Boluarte, which is the vice president, would come into power. First question, would Dina keep in power, or would she resign? As she said once, "If Castillo leaves, I would resign." Secondly, if she stays, would she call for elections or not? Next, if she resigns, who comes into power?

**Elohim Monard:**



The president of Congress, who is Maricarmen Alva for Acción Popular. Acción Popular is the political party that also had Manuel Merino, the president that one year and a half ago was only for one week. So, nobody wants her in power. So, if she comes into power, will she call for election only for president or both for president and Congress? So, if you see all these pass that all these different answers for these questions that I am bringing now on the table, you completely don't know what is going to happen in this country because you don't know who is going to be in power next year.

**Jacob Shapiro:**

Yeah. I want to start zooming out sort of the broader regional level as well and what impact and what this tells us regionally in Latin America. But the first question I thought I might ask is one of the things that is strange about this is that on paper, Peru should be doing very well because Peru is a top exporter of copper and of lead and of zinc and of all these mineral commodities that have just exploded in value over the past year as a result of COVID and supply chain disruptions, and which will probably continue to go up in value.

**Jacob Shapiro:**

So, although Peru does have a lot of expensive import needs, they should be able to pay for those needs with their exports. Why isn't that happening? Why are Peru's resources not allowing Peru to have this similar kind of success as, say, Chile or some of the other countries in the region that have done quite well in this environment?

**Elohim Monard:**

I think political science has answered this question recently. Institutions matter, and that's a fact. And we don't have strong political institutions. We build strong economic institutions. We have the best central banker in the world for many people. I don't know if you know it-

**Jacob Shapiro:**

I don't know it.

**Elohim Monard:**

But this guy received prizes everywhere because he's a genius. Maybe without him, inflation would explode or the currency. But no, we are stable economically. We have been very responsible in terms of our finances in the last 20 years. So, economically we were a miracle, but in terms of political institutions, we didn't do our homework. And it was to have a strong political parties, at least organized political parties, at least political parties who don't have the incentives to bring criminals to their candidacies.

**Elohim Monard:**

Then, actually, we broke the checks and balances equilibrium. And you have that, in the last five years, the way this equilibrium undermined was enormous. Let me tell you. So, first, when the PPK won the





election against Keiko Fujimori, Keiko Fujimori had the absolute majority in COVID. Because of that, the Fujimori team took advantage to it, and it started to push, to push, to push against PPK's government. And then, a set of corruption accusations ended up with PPK resigning.

**Elohim Monard:**

Then, the vice president comes into power. Vizcarra was our president for one year and a half. And he decided to close the Congress, to send everyone home because he had an interpretation of the constitution that he could do it, supported by some authorities. Then, you have this vacuum of power again. Merino, who was the president of Congress in that moment, comes into power. No, I'm sorry. Vizcarra takes everyone out. And then, one year later, during the pandemic, the Congress decides to impeach Vizcarra, and Vizcarra goes with a new Congress, actually, because you had elections six months before.

**Elohim Monard:**

Then, you have Merino, who comes in power. Now, he comes in power, but people didn't like Merino. So, they come on the street and say, "Merino, go home." And then, you have Sagasti. He was our president for six months. Now, we had elections and very turbulent elections because we had ... And you know it in the U.S. Actually, I think you were an example for the world on how to do this, to say that it was everything fake and fraudulent elections, and we don't have to trust the elections body and whatever. You know the story.

**Elohim Monard:**

And, at the end of the day, they couldn't prove it, and Castillo came into power. Now, you have twice attempts for impeachment. So, where are the checks and balances? So, we don't know if a president would last five years anymore. This is a very, very critical situation, Jacob, because we broke red lines that will be very difficult to return to.

**Jacob Shapiro:**

Yeah, I mean, this is the breakdown of democratic norms and of institutions. It's really, really difficult. It's one of the reasons I've been watching Chile very closely because Chile now has a center-left. Some people might call him a far-left leader. But that election, despite a lot of trouble in Chile, was very, very peaceful. Certainly more peaceful than the American election, as you alluded to.

**Elohim Monard:**

Because institutions work.

**Jacob Shapiro:**

Yeah.

**Elohim Monard:**



They followed the rules. We did the opposite. We managed to break the rules within the rules. That's hard to say.

**Jacob Shapiro:**

Yeah, you guys did a very good job at it, I guess. But does that mean that what's happening in Peru right now is really a story about Peru, and it's not going to have any broader ramifications politically in the region? Or do you feel like something is starting in Peru that could move to other parts of the region? Because, I mean, we have very, very contentious elections coming up in Columbia as well. And there have been a lot of troubles there around COVID protests, police violence, and protests there. So, is this a Peru-specific thing, or are we going to have troubles in the region, and this is just an initial sign?

**Elohim Monard:**

We already started to have troubles in the region even before the pandemic because Latin Americans don't trust democracy in the way we expect because democracy didn't deliver in the way we expected it to deliver. And when I say deliver, I'm not telling you to have elections. Deliver means public services and benefits for the people, for most of the people, for the most vulnerable people. And democracy didn't deliver.

**Elohim Monard:**

Everywhere in Latin America and with the growth of technologies, this power in the hands of so many people and so many groups, what we had is an explosion of fake news and polarization like everywhere in the world that only added fire or oil to this fire, which was already existing about our institutional agreement. So, what is happening in Peru is its own kind of expression in our own terms about a trend that is happening everywhere in Latin America. It happened in Chile. It happened in Colombia. It happened in Brazil. It is happening in different ways. We are weaker than those countries in terms of institutions. And that is why uncertainty is higher, But the symptom of people going to the street to express their discomfort, the unrest is a common trend.

**Jacob Shapiro:**

Do you have any fear of a Venezuela-type scenario or even a Bolivia-type scenario, or do you think that Peru is strong enough to get through this on the other side? I know you said that you weren't sure what's going to happen next, but where is your confidence level and your faith level in Peru itself? Do you think that it can remake these institutions and reinforce some of these rules and get back to stability, or do you feel like there's a lot worse to come?

**Elohim Monard:**

Becoming Venezuela requires a different kind of power in government. First, you need oil power, which is money. Then, you need military power, which is the military supporting the government and a strong civilian base or legitimacy, at least in some way. That is the way that Hugo Chavez built his power in many years. It didn't happen from one year to another.



**Elohim Monard:**

So, this government, in this context, doesn't have the power. Doesn't have the money from oil, legitimacy, nor a military power. So, I would say we are safe to become Venezuela in the short run. The problem is who could come after Castillo, whether from his group, maybe someone smarter than him, or from other group who doesn't necessarily follow the Venezuela model but follows the dictatorship model. And with this weak institution, any smart dictator who really knows how to aggregate power is a menace for us.

**Jacob Shapiro:**

Why do you think democracy hasn't worked as well in South America? That's a big question, but why do you think that democracy has not worked as well?

**Elohim Monard:**

That's a big question, really.

**Jacob Shapiro:**

We should probably do three more podcasts on it, but we can at least start the conversation here.

**Elohim Monard:**

History matters. Culture matters. We have a history of dictatorships, which created a culture of ultra altruism that is sticky. It's sticky in different ways and in different layers. So, that's one thing. I also think that corruption is a cancer that we don't know how to deal with. And now, it's also merged with criminal organizations that comes from drugs, from smuggling, whatever. So, that's a really dangerous point.

**Elohim Monard:**

And I also think that this idea of not providing, inequality, racism broke the confidence, not only between people and institutions and the government but also people with people. So, we don't trust each other. How do you build a strong nation if you don't trust each other? So, I think I gave you a couple of ideas that, as you said, we can, with each one of them, we can have a podcast.

**Jacob Shapiro:**

Yeah. One more kind of big question before we close out. And this is something that's been confusing for me, and I wonder if you have an answer for this. Usually, when a country is as politically unstable as Peru has been, markets tend to be afraid of what's going on. And certainly, markets would be afraid of a leader like Pedro Castillo becoming president of any country, just because, I mean, he's a real dyed-in-the-wool Marxist, as far as I can tell. They call a lot of people in the world Marxists. Castillo seems to be the real thing. He seems to really read it and believe it.

**Jacob Shapiro:**



But markets in Peru have actually not done terribly. It doesn't seem to have scared away foreign investors quite yet. And markets are actually up on the year in Peru, even despite all of this political instability. What do you think it is that markets and investors are seeing in Peru or not seeing Peru right now that is not being reflected there? Because there really is a disjuncture, I think, between how markets are viewing Peru and what's actually happening in Peru on the ground.

**Elohim Monard:**

Do you know what was the only negotiation that Castillo couldn't attempt to win in the start of his presidency? To change the president of the Central Bank. So, the president of the Central Bank in Peru is for the enterprises, for the business people, is an idol. He's a Peruvian idol. So, we have our central bank covered, we can say, in some way. Castillo, even if he has started with someone from the left, who was Pedro Francke, who is his first minister of economy, he rapidly changed to someone from inside the Ministry of Economic Finance. So, we have someone from inside.

**Elohim Monard:**

So, Pedro Castillo has a medical doctor who is almost esoteric really in the Ministry of Health, but he couldn't put someone from his people in the Ministry of Economy in Peru. So, even if we have all these political changes, the Central Bank and the Ministry of Economic Finances are very resilient. I don't know how long, but that would be my answer. So, we still are living the hangover of our better days in economic policy.

**Jacob Shapiro:**

It sounds like maybe the president of the Central Bank should become president of the country, no?

**Elohim Monard:**

The problem is if he wins. The problem is elections.

**Jacob Shapiro:**

For sure. Elohim, so we're going to have you on a couple more times. We're going to talk all about other countries in Latin America. It's really good to know you and to see you here. And this was a great first episode. So, thank you so much for making the time, and we'll get this up soon for listeners. Cheers, we'll see you out there.

**Elohim Monard:**

Thank you very much, Jacob. It was a pleasure to be here, and let's start more conversations.

**Jacob Shapiro:**

Sounds good.

**Jacob Shapiro:**



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